



**Bradford R. Johnson, SAMA**

*Goodhue County Assessor/Auditor/Treasurer*

509 W. Fifth St., Room 208

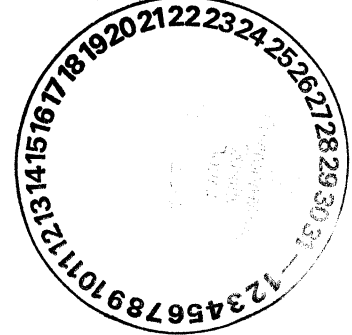
Red Wing, MN 55066

(651) 385-3006

Fax -- (651) 385-3007

September 27, 2004

Mr. Bill Storm  
Energy Facility Permitting  
Minnesota Environmental Quality Board  
Room 300  
658 Cedar St.  
St. Paul, MN 55155



Mr. Storm,

As the Goodhue County Auditor/Treasurer, I am submitting to you my concerns/comments regarding the proposed Invenergy electric peak plant in Cannon Falls. The company has requested an exemption (special legislation is required) for the personal property/machinery value of the plant, which is roughly 90% of the estimated tax under normal procedures. The company has claimed it cannot operate with the \$3,000,000 estimated tax bill it would have under normal statutory taxation, though they have not provided any financial documents nor a substantive "but for" argument. Normal tax incentive benefits are not applicable in this situation. The "in lieu" of payments offered would be one-sixth of the tax estimate, but would be sufficient revenue for the city of Cannon Falls to interest the city.

From the County standpoint, my concerns are that by supporting Invenergy's partial exemption, we are opening the door for a similar argument by other utilities, particularly XCEL Energy. For ten years, the County has fought a battle to retain XCEL's tax base. In 1994, utilities amounted to 48% of the County base; currently utilities comprise only 18% of the base (please see attached graph). The decrease occurred through legislative tax rate compression, Tax Court, pollution control exemptions, and Department of Revenue rule change. The Prairie Island nuclear plant now pays \$11 million less in total tax than in 1994. These taxes have shifted to other taxpayers, primarily residential and agricultural. We have heard the argument for removing the personal property/machinery tax from XCEL and other utilities before and do not believe that regulated industries with assigned/captive service areas require it. The promised competition of deregulation has not occurred.

The only legitimate argument we see with the Invenergy peak plant receiving a different taxation scheme is that the plant only operates 5-20% of the time as compared to a baseload plant such as Prairie Island. However, the County cannot afford to lose more

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utility tax dollars, and I am very cautious about supporting a personal property/machinery exemption for one facility when I must oppose it for another. I am also unclear whether we are guaranteed that the plant would remain fired by natural gas and never be converted to coal or other less acceptable fuel alternatives.

Sincerely,

A handwritten signature in black ink, appearing to read 'Brad Johnson', with a stylized, flowing script.

Brad Johnson  
Goodhue County Auditor/Treasurer/Assessor  
Cc: Goodhue County Board  
Cannon Falls City

# Goodhue County Tax Base Shifts

